

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7090
BILL NUMBER: SB 384

NOTE PREPARED: Dec 26, 2006
BILL AMENDED:

SUBJECT: Gas Utility Connection Charges and Deposits.

FIRST AUTHOR: Sen. Broden
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that the amount charged by a natural gas utility to connect or reconnect utility service may not exceed the utility's actual connection or reconnection costs. The bill permits a utility to require a deposit before connecting or reconnecting service. The bill also provides that the amount of the deposit may not exceed: (1) one-twelfth of the estimated annual cost of the utility service to be provided to an applicant or a customer; or (2) if the applicant or customer has contracted for a budget billing plan, the equivalent of one budget billing payment. The bill provides that certain rules adopted by the Utility Regulatory Commission (IURC) are void to the extent they conflict with the requirements for: (1) connection or reconnection charges; and (2) deposits. The bill directs the IURC to amend existing rules to comply with the requirements.

Effective Date: July 1, 2007.

Explanation of State Expenditures: This bill will increase the administrative costs of the Indiana Utility Regulatory Commission by requiring amendment to the IURC's current rules concerning utility deposits and promulgation of rules concerning reconnection fees. It is estimated that these provisions could be implemented by the IURC through use of existing staff and resources.

Explanation of State Revenues: This bill will cause an indeterminable decrease in Utility Receipts Tax (URT) and Utility Services Use Tax (USUT) collections deposited in the state General Fund.

This bill provides that a gas utility may require a deposit from a residential customer as a condition of receiving or reconnecting service (the definition of residential customer includes a building served by a master meter). The bill also provides that the deposit may not exceed 1/12 of the estimated annual cost of

the utility service to be provided to the customer (or one month's payment if the customer is on a budget billing plan). These deposit amounts collected by a gas utility are taxable receipts under the URT and part of the gross consideration received under the USUT. The rate for both the URT and USUT is 1.4%.

Under the current rules adopted by the IURC a deposit collected by a gas utility may not exceed 1/6 of the annual cost of the utility service to be provided to the customer. Therefore it is anticipated that the deposit amounts collected by a gas utility which are taxable under the URT and USUT will decrease by approximately 50% going forward. The total amount of deposits collected is unknown.

Background: This bill caps the amount of deposits that can be collected by a gas utility, but the IURC rules govern when these utilities may collect a deposit. Both 170 Indiana Administrative Code (IAC) 4-1-15 and 170 IAC 5-1-15 set forth the criteria to determine the creditworthiness of a potential residential customer. If a customer is deemed creditworthy, the utility may NOT collect a deposit as a condition of service.

Explanation of Local Expenditures: Depending on the amount charged by a municipally owned gas utility for reconnecting service, a utility could experience a reduction in revenue if the connection or reconnection fees must be reduced.

Explanation of Local Revenues:

State Agencies Affected: IURC.

Local Agencies Affected: Municipally owned gas utilities.

Information Sources: Indiana Administrative Code.

Fiscal Analyst: Adam Brown, 317-232-9854.